

TITLE 4. CALIFORNIA GAMBLING CONTROL COMMISSION

NOTICE OF PROPOSED RULEMAKING

“Gambling Equipment Manufacturers or Distributors”

The California Gambling Control Commission (“Commission”) proposes to adopt the regulations described below after considering all comments, objections, or recommendations regarding the proposed action.

PROPOSED REGULATORY ACTION: The Commission proposes to adopt Sections 12300, 12301, 12302, 12303, 12304, 12305, 12306, 12307, 12308, 12309, and 12310 of Title 4 of the California Code of Regulations, concerning gambling equipment manufacturers or distributors.

PUBLIC HEARING

The Commission will hold a public hearing starting at 10:00 a.m. on Wednesday, September 10, 2003, at 2399 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833-4231. The room is wheelchair accessible. At the hearing, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest.

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission at any time during the 45-day public comment period. To be considered for summary and response, all written comments must be received no later than 5:00 p.m., Wednesday, September 10, 2003 (the day of the public hearing).

Written comments for the Commission’s consideration should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:
hbolz@cgcc.ca.gov, FAX 916-263-0452.

AUTHORITY AND REFERENCE

Authority for the proposed regulations is provided by various provisions of the Gambling Control Act, which may be found in Business and Professions (“B & P”) Code sections 19800--19980. In particular, B & P Code sections 19801(g), 19823, 19824, 19827(a)(1), 19840, 19841(r), and 19864. Authority is also provided by Government Code section 15376 and Penal Code section 337j.

The reference citations are as follows: the proposed regulations implement, interpret, or make specific B & P Code sections 19805(b), 19841(r), 19930(c), 19951(a); Code of Civil Procedure section 2015.5; Government Code sections 15375 and 15376; Penal Code section 337j(e)(1); Chapter 24 (commencing with section 1171) of Title 15 of the United States Code; and Title 25 of the United States Code, section 2710.

INFORMATIVE DIGEST AND POLICY STATEMENT OVERVIEW

Existing law (the Gambling Control Act) mandates the Commission to adopt regulations concerning the licensing of manufacturers and distributors of gambling equipment. While there are criminal penalties for unlawful manufacture and possession of slot machines, prior to the effective date of the emergency regulations on this topic (October 2002), there was no system for monitoring or oversight of slot machine trafficking in this state, other than transport notices required pursuant to the Tribal-State Gaming Compacts.

The proposed regulation creates a registration system for manufacturers or distributors of slot machines, requires periodic reports concerning among other things transactions involving slot machines and essential parts thereof, addresses related issues, and defines key terms.

DISCLOSURES REGARDING THE PROPOSED ACTION

Mandate on local agencies and school districts: These regulations do not impose a mandate on local agencies or school districts.

Cost or savings to any state agency: Except as noted below, these regulations will not result in significant costs or savings to any state agency, in any cost to any agency or school district, or in any nondiscretionary cost or savings to any local agency. Any costs associated with workload at the California Gambling Control Commission will be offset by revenue generated by fees.

Cost to any local agency or school district that must be reimbursed in accordance with Government Code section 17561: None

Other non-discretionary cost or savings imposed upon local agencies:
None

Cost or savings in federal funding to the state: None

Cost impact on representative private person or business: The cost impact of the proposed regulations is not expected to be significantly adverse. A representative private person or business who is in the business of manufacturing or distributing slot machines, who either (1) has a place of business in California or (2) deals with parties other than tribal gaming facilities would pay an annual registration fee of \$500; however, persons dealing solely in antique slot machine would pay a \$40 annual fee. Persons with no in-state place of business and whose business is limited to tribal gaming facilities would pay no annual registration fee.

Impact on Business: The Commission has made an initial determination that the proposed regulatory changes will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

Significant effect on housing costs: The Commission has made an initial determination that the proposed regulatory action would not affect housing costs.

Effect on small business: The Commission has made an initial determination that the effect these regulations will have on small business will be minor. Some small manufacturing or distributing businesses will be required to pay a registration fee and submit quarterly reports to the Commission.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5(a)(13), the Commission must determine that no reasonable alternative considered by the Commission or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action.

The purpose of the proposed regulations is to specify how a slot machine or device manufacturer can register with the State, and how to file reports concerning machines shipped from or to a location in the State of California. Requiring the filing of reports listing serial numbers will make it more difficult and risky to traffic in illegal slot machines. Moreover, the Commission has been unable to identify any alternative to the proposed regulation that achieves the objective. The Commission invites interested persons to present statements or arguments regarding alternatives to the proposed regulation at the public hearing or during the written comment period.

ASSESSMENT REGARDING CREATION OR ELIMINATION OF JOBS IN CALIFORNIA

The Commission has made an assessment and determined that the adoption of the proposed regulation will neither create nor eliminate jobs in the State of California nor result in the elimination of existing businesses or create or expand businesses in the State of California.

CONTACT PERSONS

Inquiries concerning the substance of the proposed action should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:
hbolz@cgcc.ca.gov, FAX 916-263-0452.

Requests for a copy of the proposed text of the regulation, the initial statement of reasons, the modified text of the regulation, if any, or other

technical information upon which the rulemaking is based should be directed to:

Herb Bolz, Senior Legal Counsel and Regulations Coordinator, California Gambling Control Commission, 2399 Gateway Oaks Drive, Suite 100
Sacramento, CA 95833-4231; Telephone: 916-263-0490, E-mail:
hbolz@cgcc.ca.gov, FAX 916-263-0452.

Or:

Susie Hernandez, Regulations Analyst, Telephone: (916) 274-0688, FAX
number: (916) 263-0499, e-mail shernandez@cgcc.ca.gov.

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The Regulations Coordinator will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at the office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulation, and the Initial Statement of Reasons. A copy may be obtained by contacting the Regulations Coordinator at the address or telephone number listed above or accessing the Commission's website at <http://www.cgcc.ca.gov>. Upon its completion, the Final Statement of Reasons will be available and copies may be requested from the Regulations Coordinator or viewed on the website.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

Following the public hearing, the Commission may adopt the proposed regulation substantially as described in this notice. If modifications are made which are sufficiently related to the originally proposed text, the modified text, with changes clearly indicated, will be made available to the public for at least 15 days prior to the date on which the Commission adopts the regulation. Requests for copies of any modified regulation should be sent to the attention of the Regulations Coordinator at the address indicated above. The Commission will accept written comments on the modified regulation for 15 days after the date on which it is made available.